

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  INTERSTATE POWER AND LIGHT COMPANY	DOCKET NO. WRU-04-10-150
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**ORDER GRANTING WAIVER**

(Issued April 13, 2004)

On March 4, 2004, Interstate Power and Light Company (IPL) filed with the Utilities Board (Board) a request for waiver of 199 IAC 20.9(2)2"b"(1) to allow recovery of certain put option payments through IPL's electric energy adjustment clause (EAC). No objections to the request for waiver were filed.

In support of its waiver request, IPL said that in June 2003 Alliant Energy Corporate Services (AECS), an Alliant Energy subsidiary that, among other things, procures fuel for IPL, exercised certain rights under a coal supply agreement between AECS and a supplier. Specifically, AECS irrevocably exercised two annual put options identified in the coal supply agreement. The put options were for 2004 and 2005. The put options give AECS the right, but not the obligation, to sell coal back at a specified price. Due to favorable market conditions, AECS exercised the put option, which had the effect of reducing coal costs to IPL.

IPL said that without a waiver it could not flow the put option costs through its EAC. The EAC rules provide for recovery only if such payments are associated with "fossil. . . fuel consumed in the utility's own plants and the utility's share of fossil and

nuclear fuel consumed in jointly owned or leased plants." 199 IAC 20.9(2)2"b"(1).

This language may not be broad enough to encompass a put option. If these costs cannot be recovered, IPL said it would be penalized for exercising contract rights to reduce fuel costs.

The Board will grant the waiver. The put option payments are a legitimate expense of procuring fossil fuel for generating electricity and are consistent with the list of the characteristics of costs appropriate for EAC recovery found in 199 IAC 20.9(1). The exercise of the put options reduced IPL's fuel costs, thereby benefiting ratepayers. The waiver will not negatively impact public health, safety, and welfare. The standards for granting a waiver contained in 199 IAC 1.3 have been satisfied.

**IT IS THEREFORE ORDERED:**

The request for waiver filed by Interstate Power and Light Company on March 4, 2004, is granted, and 199 IAC 20.9(2)2"b"(1) is waived to allow recovery of put option payments for 2004 and 2005 through the energy adjustment clause.

**UTILITIES BOARD**

/s/ Diane Munns

/s/ Mark O. Lambert

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 13<sup>th</sup> day of April, 2004.